REMARKS

Reconsideration of this application, as amended, and in view of the following remarks, is respectfully requested.

With the cancellation above of claims 14, 15, 20, 21, 24, 27-30 and 33, without prejudice, claims 1-13, 16-19, 22, 23, 25, 26, 31 and 32 are pending in the present application. Amendments to claims 1, 3, 16, 18, 22, 25, 26, 31 and 32 are presented above to better clarify the present invention and to correct informalities. No new matter is introduced hereby.

Applicant thanks the Examiner for the courtesies extended to Applicant's representative, Chris Kolefas, in a telephone interview conducted on June 2, 2005. The amendments set forth herein are consistent with the matters discussed during said interview and should be entered because they at least place the application in better form for appeal. As discussed, the term "rule" is further defined (see comments below at page 11). Also, the claims have been amended to further clarify the present invention and for the sake of grammar and spelling.

In the final Office Action of March 28, 2005, the Examiner maintained the rejection of claims 1, 3, 14, 20, 22 and 24 under 35 U.S.C. § 101. In accordance with the aforementioned telephone interview, Applicant amends these claims herein to recite that the "computing" steps are "with computer." This addresses the Examiner's concern that the claims recite sufficient technology to bring them within the requirements of 35 U.S.C. § 101. Applicant therefore respectfully asserts that the rejection of claims 1, 3, 14, 20, 22 and 24 under 35 U.S.C. § 101 should be withdrawn.

The Examiner also reiterated the rejection of claims 1-33 as being obvious under 35 U.S.C.§103(a) in view of U.S. Patent 5,784,696 to Melnikoff. (It is not clear from the final Office Action as to whether the assertion of U.S. Patent 5,126,936 to Champion is also being maintained.) Applicant respectfully asserts that this rejection does not apply to currently pending claims 1-13, 16-19, 22, 23, 25, 26, 31 and 32 for the reasons set forth below.

As an initial matter, the claimed invention and the subject matter of Melnikoff (and Champion), are directed to significantly different problems.

As argued previously, which arguments are incorporated herein by reference, the present claims call for generating an index or series of investment returns that are available to investors participating in those markets or combination of markets to which the method is applied. The claimed invention is useful for providing meaningful benchmarks for managed investment funds (such as hedge funds) that

are not limited to only one class of asset or to only long positions. As described in the present application, a simple stock index such as the S&P 500 Index which tracks the ownership of a theoretical weighted basket of stocks may provide an adequate benchmark for conventional stock mutual funds which take long positions in stocks. Such an index, however, does not provide an adequate benchmark against which to measure the performance, for example, of a hedge fund which can take both long and short positions in a variety of asset classes (e.g., stocks, bonds, commodities, currencies) as well as derivatives (e.g. options, futures) thereof. The present invention addresses this need.

Melnikoff and Champion, however, are concerned with selecting investment portfolios for individual investors based on the preferences of the individual investors, including, for example, their risk tolerance and expected investment returns. Their methods thus require the input of user preferences and can be applied only to holding periods for which investors express their preferences. (See Melnikoff col. 6, lines 4-13 and Champion col. 3, lines 7-11.) Melnikoff describes a method and system for analyzing historical market data for an individual investor's investment portfolio to calculate an average risk-adjusted return, which then is compared with the user-defined risk criteria. See Abstract ("selecting an investment portfolio [and computing the] risk-adjusted return [such that] the risk-adjusted return of the portfolio satisfies criteria derived from preference data specific to an investor"); and col. 5, line 54 – col. 6, line 3 ("permit[ing] an individual investor to apply easily a personal loss-to-gain aversion weight in calculating risk-adjusted return, ... accommodat[ing] custom-tailored analyses for individuals prescribing alternative target rates of return, [and] optimizing the degree of indicated fidelity of the chosen funds to the investor's expressed preferences in terms of risk and risk-adjusted return").

Champion describes a system to manage an account for trading in a financial market while maintaining a user-specified level of risk. See Abstract ("implement[ing] a goal-directed financial asset management system"); Col. 3, lines 9-49 ("receiv[ing] investor requests in terms of asset selection [and] risk assessment ...and in response thereto, make selected [investments] so that the net position of the participating investor accounts reflect the net level of risk desired by the investors"). Neither of these references alone or combined discloses nor suggests the presently claimed step of computing an index of investment return in all asset classes or in a combination of these asset classes.

On the contrary, both Melnikoff and Champion employ existing market indexes in their inventions.

Melnikoff uses both publicly available indexes and mutual funds in calculating and assessing the risk of investor portfolios. See col. 5, lines 25-37 ("methods ... that are based on ... preestablished standard of return"); col. 11, lines 5-56 ("mutual fund value data ... and target rate value data ... are readily available from a number of public sources.") Similarly, Champion uses market indexes in matching investor portfolios to their preferences and in computing risk and return. See col. 4, lines 10-21 (defining risk relative to "the general market for that asset"; col. 8, lines 22-52 ("Applying the recent index (IDX) to determine gain or loss); col. 10, lines 50-57 ("the trade order ... shown at ... the current market price of the S & P 500 index."). The methods of computation in both references depend on the use of existing market indices, which is <u>exactly the opposite</u> of the invention defined by the present claims which is concerned with generating market indexes.

Turning to the claim language, each of the independent claims to be pending upon entry of this Amendment, claims 1, 3, 16, 18, 22, 25, 26, 31 and 32, recites one or more features that is not taught or suggested by the references relied on by the Examiner.

More specifically, claim 1 recites a method for generating an index of fundamental investment returns which includes, among others, the steps of:

(b) for any time t including the present time, time t being at the close of a holding period h, generating a rule based on market prices at a plurality of times preceding time t to determine a position for each of said assets for a succeeding holding period $h+1$;

(c) determining the position for each of said assets for said succeeding holding period $h+1$ in accordance with said rule; ...

In step b, a rule is generated which determines positions to be taken in the various assets based upon previous market prices. Exemplary rules may include those based on technical analysis, such as trend analysis, moving averages, and other such technical indicators. Such a rule (as called for in the claims) can be thought of as generating (in step c) a model portfolio of assets that will yield a return for each asset over a succeeding holding period (see step e). Those returns are then used to compute the aforementioned index (steps f and g). The index can then be used, for example, as a benchmark against which investments in the selected assets can be measured. Melnikoff and Champion simply do not disclose such steps.

Along similar lines, method claim 3 and apparatus claim 22 recite:

(b) determining a position for each of said assets for a time t based on historical market price data;

...

Like claim 1, the asset positions for a succeeding period are based on past market prices. These positions then yield returns which are used to determine an index or series of returns.

Method claim 16 and apparatus claims 25 and 31 recite:

(b) determining a futures contract for each asset member, each futures contract having a market price at the beginning and end of each said holding periods;

(c) calculating a continuous series of futures returns for each asset member based on the futures contract and the market price for said asset member for each of said holding periods;

(d) determining a position for each said asset member for each of said holding periods based on said continuous series of futures returns for the preceding holding periods;

In these claims, the asset positions are determined based on futures contracts for the assets.

Likewise, method claim 18 and apparatus claims 26 and 32 recite:

(b) determining a futures contract for each asset member, each said futures contract having a market price at the beginning and end of each said holding periods;

(c) determining a position for each said asset class member based on the futures contract, the market prices and the holding period; ...

The invention, defined by the present claims, uses <u>historical market data</u>, including futures contract data, to determine positions for subsequent periods. During each holding period, the position for the next holding period is determined based on computations involving current and historical market data.

In contrast, in Champion, position is determined based on the investors' <u>input of a market multiple that indicates a level of risk relative to some standard</u> such as the S&P 500 index. Col. 4, lines 31-37. And as the Examiner noted, Melnikoff does not disclose determining position at all. Therefore, the cited references alone or together fail to disclose or suggest the steps of generating a rule to determine a position based on market data (not user-input) or determining the position for each asset according to the rule.

In addition to the fundamental differences discussed above, the present claims also include other features that are not disclosed or suggested in the references. For example, claims 9, 16, 25 and 31
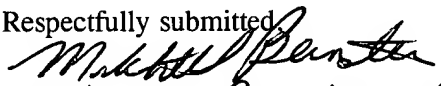
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include calculation of a continuous future series using futures contracts for the assets. The references do not use or suggest the use of this computation in analyzing risk, let alone in generating an investment index.

For the foregoing reasons, applicant respectfully asserts that the subsisting claims are not obvious and that the obviousness rejection of the pending claims should be withdrawn.

In view of the above remarks and amendments, applicant believes the pending application is in condition for allowance. A Notice of Allowance is earnestly solicited. The Examiner is encouraged to contact the undersigned should any questions arise.

Dated: August 22, 2005

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